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PEAT, MARWICK, MITCHELL & Co.

CHARTERED ACCOUNTANTS

1155 DORCHESTER BLVD. WEST

MONTREAL 102, QUEBEC

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Smith Kline & French Canada Ltd. (wholly owned subsidiary of Smith Kline & French International Company) as of November 30, 1971 and the statements of earnings and earnings retained in the business and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

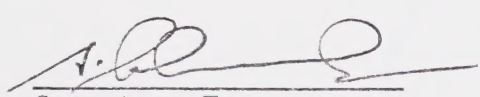
In our opinion, these financial statements present fairly the financial position of the company at November 30, 1971 and the results of its operations and source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Peat, Marwick, Mitchell & Co.

Chartered Accountants ✓

Montreal, Que.
December 22, 1971

We certify this is a true copy of the report presented to Shareholders.


Secretary-Treasurer

SMITH KLINE & FRENCH CANADA LTD.

SMITH KLINE & FRENCH
(A wholly owned subsidiary of Smith Klin

Balance Sh

November 30,
with comparative fig

(Stated in Canada

	<u>Assets</u>	<u>1971</u>	<u>1970</u>
Current assets:			
Cash		104,531	13,400
Accounts receivable:			
Trade		3,551,995	3,314,061
Other		<u>141,794</u>	<u>176,253</u>
Total receivables		<u>3,693,789</u>	<u>3,490,314</u>
Current accounts due from affiliates		104,890	79,252
Inventories, at cost which is not in excess of market:			
Finished products		647,215	447,192
Work in process		63,742	29,472
Raw materials and supplies		<u>682,599</u>	<u>620,613</u>
Total inventories		<u>1,393,556</u>	<u>1,097,277</u>
Prepaid expenses		<u>235,347</u>	<u>229,285</u>
Total current assets		5,532,113	4,909,528
Plant and equipment (note 1):			
Land		392,790	392,790
Buildings		2,294,917	2,275,754
Machinery and equipment		<u>1,524,723</u>	<u>1,368,028</u>
		4,212,430	4,036,572
Less accumulated depreciation		<u>1,474,008</u>	<u>1,279,215</u>
Net plant and equipment		2,738,422	2,757,357
		<u><u>\$ 8,270,535</u></u>	<u><u>7,666,885</u></u>

See accompanying notes to financial statements.

On behalf of the Board:
 ✓
 Kurt W. Reiss
 ✓
 Robert F. Daily



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30, 1971

figures for 1970

(Canadian Dollars)

Liabilities and Shareholders' Equity

	<u>1971</u>	<u>1970</u>
Current liabilities:		
Due to banks	-	56,778
Accounts payable:		
Trade	489,140	298,588
Other	86,628	118,525
Current accounts due to affiliates	246,454	629,616
Due to parent company	61,670	45,023
Accrued expenses:		
Compensation	100,468	74,121
Taxes other than income taxes	567	3,344
Royalties	46,889	30,137
Other	206,121	237,674
Canadian and provincial income taxes payable	<u>46,262</u>	<u>75,784</u>
Total current liabilities	1,284,199	1,569,590
Deferred income taxes	31,453	3,714
Provision for supplemental pension allowance	33,107	36,931
Shareholders' equity:		
Capital stock:		
Authorized - 1,000 common shares without nominal or par value		
Issued and fully paid - 1,000 shares	4,058,794	4,058,794
Surplus arising on revaluation of fixed assets (note 1)	1,512,637	1,512,637
Earnings retained in business	<u>1,350,345</u>	<u>485,219</u>
Total shareholders' equity	<u>6,921,776</u>	<u>6,056,650</u>
	<u>\$ 8,270,535</u>	<u>7,666,885</u>

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federal file

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SMITH KLINE & FRENCH CANADA LTD.
(A wholly owned subsidiary of Smith Kline & French International Company)

Statement of Earnings and Earnings Retained in the Business

(Year ended November 30, 1971)
with comparative figures for 1970

(Stated in Canadian Dollars)

	<u>1971</u>	1970 // (Eleven months)
<u>Current Earnings</u>		
Net sales	✓ \$ 10,936,364	✓ 9,911,938
Net earnings before the undernoted items	\$ 1,897,926	1,212,070
Depreciation	195,848	162,421
Income taxes	<u>836,952</u>	<u>564,430</u>
	<u>1,032,800</u>	<u>726,851</u>
Net earnings for the year	\$ 865,126 ✓	485,219 ✓

Earnings Retained in the Business

Balance at beginning of year	\$ 485,219	-
Net earnings for the year	<u>865,126</u>	<u>485,219</u>
Balance at end of year	<u>\$ 1,350,345</u>	<u>485,219</u>

See accompanying notes to financial statements.

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STATE OF NEW YORK
IN SENATE
January 10, 1907.
REPORT OF THE
COMMISSIONERS OF THE LAND OFFICE
IN RESPONSE TO A RESOLUTION PASSED BY THE SENATE
MAY 1, 1896.
ALBANY: J.B. LEECH, STATE PRINTER.
1907.

LANDS BELONGING TO THE STATE		LANDS BELONGING TO THE PEOPLE	
ACRES	VALUE	ACRES	VALUE
1,000,000	\$1,000,000	1,000,000	\$1,000,000
2,000,000	\$2,000,000	2,000,000	\$2,000,000
3,000,000	\$3,000,000	3,000,000	\$3,000,000
4,000,000	\$4,000,000	4,000,000	\$4,000,000
5,000,000	\$5,000,000	5,000,000	\$5,000,000
6,000,000	\$6,000,000	6,000,000	\$6,000,000
7,000,000	\$7,000,000	7,000,000	\$7,000,000
8,000,000	\$8,000,000	8,000,000	\$8,000,000
9,000,000	\$9,000,000	9,000,000	\$9,000,000
10,000,000	\$10,000,000	10,000,000	\$10,000,000

LANDS BELONGING TO THE STATE		LANDS BELONGING TO THE PEOPLE	
ACRES	VALUE	ACRES	VALUE
1,000,000	\$1,000,000	1,000,000	\$1,000,000
2,000,000	\$2,000,000	2,000,000	\$2,000,000
3,000,000	\$3,000,000	3,000,000	\$3,000,000
4,000,000	\$4,000,000	4,000,000	\$4,000,000
5,000,000	\$5,000,000	5,000,000	\$5,000,000
6,000,000	\$6,000,000	6,000,000	\$6,000,000
7,000,000	\$7,000,000	7,000,000	\$7,000,000
8,000,000	\$8,000,000	8,000,000	\$8,000,000
9,000,000	\$9,000,000	9,000,000	\$9,000,000
10,000,000	\$10,000,000	10,000,000	\$10,000,000

SMITH KLINE & FRENCH CANADA LTD.
(A wholly owned subsidiary of Smith Kline & French International Company)

Statement of Source and Application of Funds

Year ended November 30, 1971
with comparative figures for 1970

(Stated in Canadian Dollars)

	<u>1971</u>	<u>1970</u> (<u>Eleven Months</u>)
Funds provided:		
Net income	\$ 865,126	485,219
Add charges not requiring a current cash outlay:		
Depreciation	195,848	162,421
Loss on disposal of fixed assets	37	375
Deferred income taxes	<u>27,739</u>	<u>3,714</u>
Funds provided from operations	1,088,750	651,729
Proceeds from disposal of fixed assets	194	135
Supplemental pension allowance	<u>-</u>	<u>40,435</u>
	1,088,944	692,299
Funds used:		
Purchase of fixed assets	177,144	208,474
Payments of supplemental pension allowance	<u>3,824</u>	<u>3,504</u>
	<u>180,968</u>	<u>211,978</u>
Increase in working capital	907,976	480,321
Working capital at beginning of period	3,339,938	-
Working capital acquired as at January 1, 1970 from the Canadian Branch of Smith Kline & French Inter-American Corporation	<u>-</u>	<u>2,859,617</u>
Working capital at end of period	<u>\$ 4,247,914</u>	<u>3,339,938</u>

See accompanying notes to financial statements.

SMITH KLINE & FRENCH CANADA LTD.

(A wholly owned subsidiary of Smith Kline & French International Company)

Notes to Financial Statements

November 30, 1971

- (1) Plant and equipment are carried at their net book value as shown by the books of the predecessor Canadian Branch at December 31, 1969 plus subsequent additions at cost. The excess of the carrying value over the consideration paid by SKF Canada Ltd. (equal to the undepreciated capital cost of the assets for tax purposes at December 31, 1969) has been credited to surplus arising on revaluation of fixed assets. This treatment has been adopted to simplify the consolidation of these financial statements with those of its associated companies.
- (2) Three directors did not receive any remuneration as directors and eight officers received aggregate remuneration of \$110,334. Two officers of the company are also directors.

